SECTION IX – GLOSSARY

Annual Household Income: Gross income of all persons who intend to permanently reside in a unit. The annual income is defined as income as of the date of occupancy for the next twelve (12) months.

Annual Income: Total gross income anticipated to be received by a tenant from all sources including assets for the next twelve (12) months.

Annual Income Recertification: Document by which the tenant re-certifies his/her income, for the purpose of determining whether the tenant will be of low income according to the provisions of the LIHTC Program.

Annual Inspection: A review of a project which may be made annually by TCAC or its agent, which includes an examination of records, a review of operating procedures and a physical inspection.

Applicable Fraction: The applicable fraction is the lesser of a) the ratio of the number of low income units to the total number of units in the building or b) the ratio of the total floor space of the low income units to the total floor space of all units in the building.

Applicable Credit Percentage: Although the credits are commonly described as 9% and 4% credits, the percentages are approximate figures. The U.S. Department of the Treasury publishes the exact credit percentages each month. For instance, for December 1994, the 9% credit figure was actually 8.89%, while the 4% credit figure was 3.81%. The monthly percentages may be greater or less than exactly 9% and 4%. Once the percentage is established for a building, the percentage applies for the entire 10 year credit period.

Application: Form completed by a person or family seeking rental of a unit in a project. An application should solicit sufficient information to determine the applicant's eligibility and compliance with federal and TCAC guidelines.

Assets: Items of value, other than necessary personal items, which are considered in determining the eligibility of a household.

Asset Income: The amount of money received by a household from items of value as defined in HUD Handbook 4350.3.

Authority: California Tax Credit Allocation Committee (TCAC)

Certification Year: The twelve (12) month time period beginning on the date the unit is first occupied and each twelve (12) month period commencing on the same date thereafter.

Compliance: The act of meeting the requirements and conditions specified under the law and the LIHTC Program requirements.

Correction Period: A reasonable time as determined by the Authority for an owner to correct any violations as a result of noncompliance.

Credit Period: The period of ten (10) taxable years during which credit may be claimed, beginning with:

(1) the taxable year the building is placed in service, or
(2) at the election of the taxpayer, the succeeding year,

but only if the building is a qualified low income building as of the close of the first year of such building, and remains qualified throughout succeeding years.

Current Anticipated Income: Gross anticipated income for the next twelve (12) months as of the date of occupancy that is expected to be received by the tenant(s).

Effective Term of Verification: A period of time not to exceed one hundred twenty (120) days. A verification is valid for ninety (90) days, and may be updated orally for an additional thirty (30) days. A verification must be within the effective term at time of tenant's Income Certification

Eligible Basis: The eligible basis of a qualifying project generally includes those capital costs incurred with respect to the construction, rehabilitation, or acquisition in certain circumstances, of the property, minus non-depreciable costs such as land and certain other items such as financing fees. While it may not include any parts of the property used for commercial purposes, it may include the cost of facilities for use by tenants to the extent that there is no separate fee for their use and they are available to all tenants. It may also include the cost of amenities if the amenities are comparable to the cost of amenities in other units.

Eligible basis is reduced by an amount equal to the portion of a building's adjusted basis which is attributable to non-low income units which exceed the average quality standard of the low income units unless the cost of building the market rate units does not exceed the cost of the average low income units by more than 15% and the excess cost is excluded from the eligible basis.

Eligible basis is further reduced by the amount of any federal grants applied towards the project, and, should the owner so elect, it may be reduced by "federal subsidies" to take advantage of the higher applicable tax credit percentage. It is determined without regard to depreciation.

Eligible Person: One or more persons or a family determined to be of low income.

Employment Income: Wages, salaries, tips, bonuses, overtime pay, or other compensation for personal services from a job.

Extended Use Period: The time frame which begins the first day of the initial 15 year compliance period, on which such building is part of a qualified low income housing project and ends 15 years after the close of the initial compliance period, or the date specified by TCAC in the Regulatory Agreement/Restrictive Covenant.

Fair Market Value: An amount which represents the true value at which property would be sold on the open market.

First Year of the Credit Period: Either the year a building is placed in service, or, at the owner's option, the following year.

Gross Income: See Annual Household Income.

Gross Rent: Maximum amount that a tenant can pay for rent before deducting a utility allowance.

Note: The owner must be aware of the year in which the tax credit allocation was made and the specific guidelines that refer to the calculation of gross rent for those years, i.e. 1987, 1988, and 1989 tax credit allocations base gross rent on the actual number of persons residing in the unit.

1. Gross rent cannot exceed 30% of the applicable income limit for a qualified low income household adjusted for family size.
2. Gross rent includes the amount of the utility allowance (exclusive of telephone and cable television) paid by the tenant for that particular unit.

Household: The individual, family, or group of individuals living together as a unit.

Imputed Income: The estimated earning potential of assets held by a tenant using the potential earning rate established by HUD. The current rate is provided by TCAC in its instructions to the Annual Income Recertification.

Income Limits: Maximum incomes as published by TCAC for projects giving the maximum income limits per unit for low income (50% or 60% of median) units. These limits will be adjusted periodically by TCAC based on median income figures provided by HUD.

Ineligible Person: One or more persons, or a family who apply for residency in a rent-restricted low income unit and whose combined income exceeds the income limitation that was selected by owner (i.e. 50% or 60% of median) or someone living in a set-aside unit who is not certified or under lease, or, in many circumstances, full-time students not filing joint tax returns.

Initial Compliance: The 12 month period, commencing with the date the building is placed in service, in which the minimum set-aside must be met to receive the tax credits.

Note: Projects consisting of multiple buildings with phased completion must meet the set-aside requirements on a building by building basis with the 12 month commencing with the individual date each building is placed in service.

Initial Compliance Period: A fifteen (15) year period, beginning with the first taxable year in which credit is claimed, during which the appropriate number of units must be marketed and rented to tax credit eligible households, at restricted rents. For projects receiving 1990 tax credit or later, each building must have an extended low income housing commitment which is for at least an additional fifteen (15) years.

Lease: The legal agreement between the tenant and the owner which delineates the terms and conditions of the rental of a unit.

LIHTC: Low Income Housing Tax Credit.

Low Income Household: Households whose incomes are not more than either 50% or 60% of the median family income for the local area adjusted for family size.

Low Income Tenant: an individual whose income, adjusted for family size, does not exceed either 50% or 60% of median income for the local area.

Low Income Unit: Any unit in a building if:

1. such unit is rent restricted (as defined in subsection (g)(2) or IRS Section 42).
2. the individuals occupying such unit meet the income limitation applicable under subsection 42(g)(1) to the project of which such building is a part.
3. the unit is suitable for occupancy, available to the general public, and used other than on a transient basis.

Management Company: A firm selected by the owner to oversee the operation and management of the project and who accepts compliance responsibility.

Maximum Allowable Rent Calculation: The maximum allowable rent calculation includes costs to be paid by the tenant for utilities inclusive of heat, electricity, air conditioning, water, sewer, oil, or gas where applicable. (Do not include cable tv or telephone.)

Maximum Chargeable Rent (Net Rent): Gross rent less utility allowance paid by the tenant.

Note: Charge for Amenities: If the tenant amenity is included in eligible basis under Section 42(d), it must be provided as a comparable amenity to all residential rental units in the building without charge. IRS Section 42(d)(4)(B) (Treasury Regulation § 1-42-5 5(c)(1)(vii).

Median Income: A determination made through statistical methods establishing a middle point for determining income limits. Median is the amount that divides the distribution into two equal groups, one group having income above the medial and one group having income below the median.

Minimum Set-Aside: The minimum number of units that the owner has elected under the statute to be income and rent-restricted (either at 20% @ 50% or 40% @ 60%).

Monitoring Agent: The agency responsible for monitoring the compliance with the terms and conditions specified under the law and the LIHTC Program.

TCAC: California Tax Credit Allocation Committee

Owner or Developer: Any individual, association, corporation, joint venture, or partnership that owns a LIHTC project.

Personal Property Considered as Assets: Property held as an investment (such as gems, jewelry, coin collections, antique cars, etc.). Necessary items (such as clothing, furniture, cars, etc.) are not considered assets.

Placed in Service Date: For buildings, this is the date on which the building is ready and available for its specifically assigned function, i.e., the date on which the first unit in the building is certified as being suitable for occupancy in accordance with state or local law.
Note: Rehabilitation expenditures that are treated as a separate new building are placed-in-service at the close of any 24 month period over which such expenditures are aggregated (see IRS Notice 88-116).

Project: Rental housing development receiving a LIHTC allocation.

Qualified Allocation Plan: The plan developed and promulgated by TCAC.

Qualified Basis: The portion of the eligible basis attributable to low income rental units. It is equal to the eligible basis multiplied by the applicable fraction. The amount of qualified basis is determined annually on the last day of each taxable year.
Note: This is the lesser of the Applicable Fraction/Occupancy Percentage:

1. the proportion of low income units to all residential rental units, or
2. the proportion of floor space of the low income units to the floor space of all residential rental units.

Qualified Low Income Building: Any building that is part of a qualified low income housing project at all times during the period beginning on the first day in the compliance period on which such building is part of such a project and ending on the last day of the compliance period with respect to such building (Section 42 (c)(2)(A) of the Code).

Qualified Persons: Individuals and families who, at the time each such individual or family first occupies a unit in the development, are of low income, having annual income not exceeding 50% or 60% of area median gross income (depending on the set-aside chosen), adjusted for family size, within the meaning of the Code and Treasury Regulations.

Qualified Unit: A unit occupied by qualified persons at a qualified rent.

Regulatory Agreement/Restrictive Covenant: The agreement between TCAC and the owner restricting the use of the project during the term of the LIHTC compliance period.

Roommates: Two of more unrelated persons occupying one dwelling unit as a household.

Section 8 of the U.S. Housing Act of 1937, as Amended: Regulations used in defining and determining income as required under Section 103(b)(4)(A) of the Internal Revenue Code of 1986, as amended.
Student: Any individual who has been, or will be, a full-time student at an educational institution with regular facilities and students, other than correspondence school, during five months of the year.

Tax Credit: The tax credit amount is calculated by multiplying the qualified basis by the applicable credit percentage. The credit percentage, determined monthly, changes so as to yield over a 10 year period, a credit equal to either 30% or 70% of the present value of the qualified basis of the building. An owner may elect to lock in the applicable credit percentage either at the time a Commitment is made by TCAC, or at the time the allocation is made.

Tenant: Occupant of a unit to whom the unit is leased.

Tenant/Unit File: Complete and accurate records pertaining to each dwelling unit, containing the application for each tenant, verification of income and assets of each tenant, annual income recertification, utility schedules, rent records, lease and lease addendum. Any authorized representative of TCAC or the Department of Treasury may be permitted access to these files upon receipt by project owner or management company of prior written notice of not less than two calendar days.

Utility Allowance: The amount of utilities, for a particular unit, set by a utility allowance schedule which is published by HUD, FmHA, or PHA or a letter from the utility company which states the rates (see IRS Notice 89-6).

Verification: Information from a third party which is collected in order to corroborate the accuracy of information about income provided by applicants to a project.

Verification Request Form: The form used by management to request verifications of income from the source of the income or assets. The form must state the purpose of the request, include a release statement by the applicant/resident and request the frequency and amount of pay or interest.

140% Rule: If upon recertification, a low income tenant's income is greater than 140% of the applicable income limit adjusted for family size, the unit will continue to be counted toward satisfaction of the required set-aside, providing the unit continues to be rent-restricted and the next available unit of comparable or smaller size in the project is rented to a qualified low income household.

20%/50%: 20% or more of the residential units must be rented to households with aggregate gross income of 50% or less of the area median gross income adjusted for family size.

40%/60%: 40% or more of the units must be rented to households with aggregate gross income of 60% or less of the area median gross income adjusted for family size.